

**INSTITUTIONAL DEVELOPMENT SECTOR FACILITY
PUBLIC MANAGEMENT MODERNIZATION PROGRAM (PMMP)
(GY-0073)**

EXECUTIVE SUMMARY

Borrower:	Cooperative Republic of Guyana		
Executing agency:	Office of the President		
Financing amount and source:	IDB: (FSO)	US\$5.00 million	
	Local:	<u>US\$0.56 million</u>	
	Total:	US\$5.56 million	
Financial terms and conditions:	Amortization period:	40 years	
	Grace period:	10 years	
	Disbursement period:	4 years	
	Interest rate:	1% for first 10 years and 2% thereafter	
	Supervision and inspection:	1%	
	Credit fee:	0.5%	

Objectives: The overall objective of the project is to improve management efficiency, transparency and accountability in public sector institutions and systems of the Government of Guyana, including its semi-autonomous agencies. The specific objectives of this operation are to: (i) strengthen public service management and the Public Service Ministry (PSM) institutional capacity; (ii) improve efficiency and accountability mechanisms for agencies and statutory bodies; and (iii) identify the long-term challenges for the State reform process in Guyana and promote the consensus building of the related strategies.

Components and description: The program consists of three components:

1. Public service management strengthening (US\$1.9 million). The objective of this component is to strengthen public service management and the PSM institutional capacity. In particular, this component will seek to: (i) improve the capacity of the PSM in order to enhance its competence to regulate and manage the public service system; (ii) review the public service rules and regulations with the purpose of ensuring normative consistency and management flexibility; (iii) enhance the existing Human Resource Management Information System (HRMIS) and connect the remainder of central public entities; (iv) strengthen management capacity of personnel offices; (v) train Permanent Secretaries (PS) and Heads of Department (HD); and (vi) design and implement a performance appraisal system for the PS and HD, including a revision of their responsibilities and authority.

2. Agencies and Statutory Bodies (SB) accountability and efficiency improvement (US\$1.6 million). This component will develop mechanisms to support semi-autonomous agencies (SAA) and statutory bodies (SB) to become responsible and accountable yet flexible and responsive, by financing: (i) development and implementation of a general institutional framework to classify SAA and SB; (ii) revision and reclassification of SAA and SB from a sector perspective; (iii) support for the strengthening of management and accountability capabilities in at least six pilot agencies and/or statutory bodies; and (iv) design and implementation of a monitoring and evaluation system for SAA and SB.

3. Coordination of aspects of the State reform process (US\$1 million). The objective of this component is to identify the long-term challenges for the State reform process in Guyana and promote the consensus building of the related strategies. In particular, this component will finance: (i) institutional and governance assessment to identify potential areas for improvement and the long-term challenges for the State reform process, including consensus building activities around specific actions identified in the assessment; (ii) design of specific guidelines to improve transparency and integrity in the public sector; (iii) development of an Information Technology (IT) Plan for the Government; and (iv) formulation of strategies and policies for local government institutional development.

Relationship of the Project in the Bank's country and sector strategy:

The proposed operation, listed in the Bank's Country Strategy for Guyana (GN-2228-1) will contribute to improve governance and public sector efficiency, one of the proposals included in the aforementioned strategy. Also, this project is directly related to the public management line of work of the Modernization of the State Strategy of the Bank.

Coordination with other official development and finance institutions:

The Bank's project team has consulted and coordinated the preparation of this project with the main international agencies involved in public management initiatives in Guyana such as the Canadian International Development Agency (CIDA), Department for International Development (DFID-UK), European Union (EU), the United Nations Development Program (UNDP), US Agency for International Development (USAID), and World Bank (WB). An example of this coordination is the subcomponent for "enhancement of the Human Resource Management Information System (HRMIS)", which was built upon previous work done by the Government with financing from the Bank, the WB and CIDA.

Environmental/ social review:	Given the nature of the activities to be financed, no direct negative environmental or social impact is anticipated. Nonetheless, the program includes the analysis of eventual potential environment or social implication of the reforms, according to CESI recommendations, which have been incorporated in Chapter III.
Special contractual conditions:	<p>Prior to the first disbursement, the borrower must submit to the Bank:</p> <ol style="list-style-type: none"> 1. Evidence that the Steering Committee (SC) and the Project Executing Unit (PEU) have been established and the four technical coordinators have been appointed. 2. The presentation of the final version of the annual operating plan (AOP) for the first year. <p>In order to make funds available for the initial contracting of PEU staff for start-up of the project, after compliance with the General Conditions for first disbursement, partial eligibility will be declared in an amount of up to US\$250,000.</p>
Exceptions to Bank policy:	None
Potential benefits:	The program will produce direct benefits with the growth of the efficiency, transparency and accountability in the Central Government. Public employment management strengthening will generate savings in administrative costs, with the better use of human resources in all the public service. The reclassification and revision of the agencies and statutory bodies will promote the reduction of institutional fragmentation, with the decline of the total number of entities, which will make more efficient their service delivery and the use of the available resources. The increased information that will be generated by the program will facilitate management and will improve transparency and accountability in the public sector.
Potential risks:	There are four potential risks in this program: (i) political tensions (mitigated by the consensus building subcomponent); (ii) weak implementation capacity of the Government (mitigated with the PEU and the SC); (iii) possibility of emigration of public servants trained under the program (mitigated by specific commitments to persuade these public servants to remain in Public Service); and (iv) necessity of sufficient institutional resources, incentives and autonomy to allow managers to effectively use the modern management tools provided under the program (mitigated with the promotion of the link between the National Budget and the indicators and results measured in the Agencies' Services Agreements and in the institutional accomplishments included in the Performance Contracts of the PS and HD).

Poverty-targeting and social equity classification:	This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). This operation does not qualify as poverty targeted investment (PTI).
Procurement plan and timeframe, threshold amounts for ICB:	All selection and contracting of consulting services and acquisition of goods will be done according to Bank standard procedures. The procurement of goods exceeding the amount equivalent to US\$250,000 will be made through international bidding, open to all IDB member countries. For the hiring of consulting firms, with contracts in excess of US\$200,000, it will be required that the PEU call an international public bidding.
Key performance indicators and monitoring benchmarks:	<p>The following three key areas embrace the performance indicators included in the logical framework that will be used to measure the achievement of program outputs and outcomes:</p> <p><u>Government effectiveness</u>: as measured by the Kaufmann index, which presents estimates of six dimensions of governance covering 199 countries, and is based on several hundred individual variables; improves at least 20% by Dec/2008 (baseline/2002 score).</p> <p><u>Management efficiency</u>: (i) at least 30% reduction by Dec/2006 in processing time of critical human resources functions; (ii) at least 30% reduction by Dec/2006 in HR management rules-related complaints; and (iii) at least 20% increase in the self-generated real revenues of pilot agencies by Dec/2008 (baseline Y2004).</p> <p><u>Transparency and accountability</u>: (i) Government's performance benchmarks and statutory reports available to the public annually; and (ii) at least 20% increase in institutional performance in relation to the base line set out in the PS and HD Performance Contracts, and in the pilot agencies Service Agreements; by June/2008.</p>
Reporting arrangements jointly with Bank and PEU:	<p>The annual operating plans (AOP) consist of the detailed budget for each subcomponent including the main characteristics of the contracts with each firm or individual consultant, the bidding procedure and time for execution. Also, the AOP includes the summary of the terms of reference with the objectives for each contract and the sequence of the implementation.</p> <p>The monitoring and evaluation process will include the submission to the Bank of AOP, semi-annual progress reports, a mid-term review and a final evaluation approved by the SC, as well as the presentation of the financial and revolving fund statements. The loan resources will finance the initial evaluation framework. On the basis of the evaluation framework, a mid-term review and a final evaluation of the program will be carried out.</p>